

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE

Docket No. R2021-2

UNITED STATES POSTAL SERVICE RESPONSES TO
CHAIRMAN'S INFORMATION REQUEST NO. 3
(June 16, 2021)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 3, issued on June 9, 2021. Each question is stated verbatim and is followed by its response. An application for non-public treatment for information in responses 1b and 4 is filed separately.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Nabeel R. Cheema,
Chief Counsel, Pricing & Product Support

Anthony Alverno
Chief Counsel, Global Business & Service
Development

Michael Gross
Eric P. Koetting
Christopher C. Meyerson

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
(202) 268-6915
Michael.I.Gross@usps.gov
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First-Class Mail

1. Please refer to Library Reference USPS-LR-R2021-2/NP1 – First-Class Mail International and Inbound Letter Post Workpapers (Nonpublic), May 28, 2021, Excel file “Inbound CAPCALC-FCMI-R2021-2,” tab “Air Conveyance,” cells C12, E12, and G12. Please also refer to the Universal Postal Convention,¹ Article 33.6 and the Universal Postal Union (UPU) Congress proposal 20.30.1.²
 - a. Please confirm that, subject to the approval of UPU Congress proposal 20.30.1, format P/G terminal dues rates paid by transitional system (Group IV) countries with flows over 100 tonnes will be based on domestic rates starting in Calendar Year (CY) 2022, and, therefore, internal air conveyance (IAC) will no longer apply to inbound format P/G flows from these countries (see Article 33.6 of the Universal Postal Convention). If not confirmed, please explain.
 - b. If part a. is confirmed, please explain why the Postal Service applied the IAC rate to inbound format P/G flows from Group IV countries with flows above 100 tonnes when calculating IAC revenues for CY 2022.

Response:

- a. Confirmed.
- b. The Postal Service inadvertently applied the IAC rate to inbound format P/G flows from Group IV countries with flows above 100 tonnes when calculating IAC revenues for CY 2022. Had the Postal Service not applied the IAC rate to inbound format P/G flows from Group IV countries with flows above 100 tonnes when calculating IAC revenues for CY 2022, IAC revenues would be [REDACTED], and the First-Class Mail International (FCMI) price change would be [REDACTED].

¹ Universal Postal Union Convention Manual, Update 1 – June 2019 (Universal Postal Convention), available at: <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/manualsInThreeVolumes/actInThreeVolumesManualOfConventionMaj1En.pdf>.

² See Docket No. IM2020-1, Notice of Posting of Proposals, March 26, 2020, Attachment B.

Because this [REDACTED] difference in the FCMI price change has a small impact on the cap calculation, the Postal Service submits that with the benefit of this response, the Commission could adjust the calculation in its workpapers, without the need for the Postal Service to submit an erratum concerning the financial workpapers filed in USPS-LR-R2021-2-NP1. Should, however, the Commission believe that an erratum to USPS-LR-R2021-2-NP1 in addition to this response is necessary, the Postal Service is prepared to file it.

2. Please refer to page 8 of the Notice, where the Postal Service describes its intent to create new workshare discounts for Nonautomation Machinable and Nonmachinable Letters.
- a. Please describe in detail how these new discounts would benefit the Postal Service operationally. In the response, please identify which mail processing operations would be affected by the new discounts and how they would be affected.
 - b. Please provide any studies examining the estimated cost savings from these new discounts and explain in detail whether the studies' findings are achievable and repeatable across most mail processing facilities.
 - c. Please provide any internal studies or analyses conducted by the Postal Service detailing the operations, costs, or service impacts of these new discounts.
 - d. Please explain whether and how the addition of these new discounts would affect the processing of other letter shaped mailpieces, including the timeliness of processing, delivery, and transportation.
 - e. Please explain whether the Postal Service projects that mail prepared pursuant to the requirements of the new discounts would achieve better service performance. If yes, please provide any studies, data, or analyses supporting this projection.

Response:

- a. The proposed discounts would not, per se, benefit the Postal Service operationally. Preparation of machinable mail into AADC and MAADC trays and preparation of non-machinable mail into 5-Digit, 3-Digit, ADC, and MADC trays are required by qualification rules in DMM 235.5. Preparation of letters into finer presorted trays enables the Postal Service to avoid direct piece distribution and associated allied costs. However, under the current pricing of nonautomation letters, there is no pricing incentive given to customers for the preparation of letters into finer presorted trays. The Postal Service will benefit operationally from these discounts if customers' preparation practices are

altered in response to these incentives to produce more finely presorted nonautomation letters.

- b. The estimated cost savings are presented in Docket No. ACR 2020 within USPS-FY20-10. These estimated costs savings should be achievable and repeatable across facilities because mail processing facilities are largely standardized in mail processing operations, productivities, and mailflow. The cost savings for machinable AADC is achievable across all facilities because, by having mail presorted to the AADC, this mail can bypass the outgoing primary (OP) sortation scheme. By the same token, non-machinable 3-Digit mail will bypass the OP scheme and be first processed in the Incoming Primary (IP) scheme. Non-machinable 5-Digit mail will bypass both the OP and IP schemes.
- c. For costs and operational changes, please see responses 2a and 2b, above. The Postal Service is not aware of any reason that service would be impacted by the proposed discounts.
- d. The Postal Service is not aware of any reason that timeliness of processing, delivery, or transportation would be impacted by the proposed discounts.
- e. The Postal Service is not aware of any reason that service performance would be impacted by the proposed discounts.

USPS Marketing Mail

3. Please refer to Library Reference USPS-LR-R2021-2/2 – USPS Marketing Mail Workpapers, May 28, 2021, Excel file “CAPCALC-USPSMM-R2021-2.xlsx.”
 - a. Please explain the formula used to calculate total pieces for Every Door Direct Mail (EDDM) Retail used in tab “EDDM-Retail,” cell C4.
 - b. Please explain the source of the distribution key used to calculate pieces of High Density Flats on 5-Digit Pallets used in tab “HD&Saturation Flats and Parcels,” cell L76.

Response:

- a. The formula used to calculate total pieces for Every Door Direct Mail (EDDM) Retail used in tab “EDDM-Retail,” cell C4, is the sum of quarterly EDDM retail pieces, which was linked to the quarterly Billing Determinants Tab:C6-1 Summary 1. However, the formula was inadvertently linked to the wrong cell. Correcting the link will change the EDDM Retail volume from 816,974,339 to 518,708,996. The correction also necessitates a change in the price of EDDM Retail from \$0.202 to \$0.200 and an increase in the Banked Authority from 0.001 percent to 0.002 percent. The Postal Service will shortly file an errata with a corrected Marketing Mail CapCalc file.
- b. The data used to calculate pieces on High Density Flats is for Q3 & Q4 FY19 and Q1 & Q2 FY 20 from the Mail Characteristics Study documented in Docket No ACR2020 USPS-FY20-14.

Special Services

4. 39 C.F.R. § 3030.221 requires that the Postal Service “increase the rates for each non-compensatory product by a minimum of 2 percentage points above the percentage increase for that class.” 39 C.F.R. § 3030.221. International Ancillary Services was found to be a non-compensatory product in the FY 2020 Annual Compliance Determination.³ In Table 18 in the Notice, the Postal Service states that the planned price increase for International Ancillary Services is 5.449 percent, which is below the Special Services average increase of 6.808 percent. Notice at 26. However, one of the reasons International Ancillary Services was non-compensatory in FY 2020 was due to Inbound International Registered Mail, which transferred to the Competitive product list during FY 2020. FY 2020 ACD at 65.
 - a. Please confirm that International Ancillary Services is projected to be a compensatory product in FY 2021 now that Inbound International Registered Mail is no longer part of the product. If confirmed, please provide workpapers supporting this projection.
 - b. If part a. is not confirmed, please explain and provide a justification as to how the proposed price adjustment for International Ancillary Services complies with 39 C.F.R. § 3030.221.

Response:

Please see the response filed under seal within USPS-LR-R2021-2-NP2.

³ Docket No. ACR2020, Annual Compliance Determination Report, Fiscal Year 2020, March 29, 2021, at 65-66 (FY 2020 ACD).